

June 29, 2006

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02110

Re: Berkshire Gas Company, D.T.E. 06-46

Dear Ms. Cottrell:

On May 15, 2006, The Berkshire Gas Company (“Berkshire” or “Company”) submitted its third annual rate adjustment filing (“Filing”), pursuant to the performance-based ratemaking plan the Department of Telecommunications and Energy (“Department”) approved in *Berkshire Gas Company*, D.T.E. 01-56 (2002). Berkshire proposes an increase in normalized revenues of \$738,920, which amounts to a base revenue increase of 2.74 percent. If the Department approves the Company’s proposal, the proposed rates will result in an increase of \$0.77 per month for residential gas non-heating customers using 20 therms per month in the winter season and an increase of \$1.99 per month for residential gas heating customers using 150 therms per month in the winter season. On June 9, 2006, the Department issued a Notice of Filing and Request for Comments.

The Attorney General submits this letter as his Comments and requests that the Department conduct an evidentiary hearings into Berkshire’s Filing for the reasons set forth below:

- The Company failed to provide the supporting testimony or calculations for its demand-based T-54 class normalization adjustment.
- The Company provided, in summary fashion, the monthly adjustments for each class as shown in Attachment 5 of the Filing, but it, it failed to provide the underlying calculations.
- The Company failed to support the inclusion of and the calculations for its normalization adjustment for The University of Massachusetts Amherst billing adjustments.

- The Company failed to address the issue of whether customers are entitled to an exogenous factor rate reduction to account for bonus depreciation under the Internal Revenue Code, § 168(k) - Special Allowance for Certain Property Acquired After September 10, 2001 and Before September 11, 2004; *Berkshire Gas Company*, D.T.E. 01-56, pp. 25-26; see MECo - Exh. 1, pp. 54-58 (Testimony Michael Laflamme)
- *Massachusetts Electric Company*, D.T.E. 03-124 (pending approval).
- The Company overstated its price cap increase when it used incorrect gross domestic product price index values in the price cap formula. The table below compares the Company's Filing with the GDP values it should have used.

CORRECTION TO THE PERCENTAGE CHANGE IN THE GROSS DOMESTIC PRODUCT PRICE INDEX CALCULATION

	<u>According to the Company¹</u>	<u>Survey of Current Business²</u>
2004-2005		
Quarter 1	108.17	108.976
Quarter 2	108.55	109.371
Quarter 3	109.16	110.111
Quarter 4	110.04	110.950
AVERAGE	108.98	109.852
2005-2006		
Quarter 1	111.66	111.655
Quarter 2	112.57	112.567
Quarter 3	113.53	113.532
Quarter 4	114.45	114.456
AVERAGE	113.05	113.053
<u>PERCENT INCREASE</u>	<u>3.74 %</u>	<u>2.91 %</u>

For these reasons, the Department should open an evidentiary hearing to examine the Company's Filing.

¹ Filing, Attachment 2 at 2.

² See Attachment A, *Survey of Current Business*, June 2006, page D-51 from the U.S. Department of Commerce Bureau of Economic Analysis' website) available at <http://www.bea.gov/bea/ARTICLES/2006/06June/D-Pages/0606DpgC.pdf>

Respectfully submitted,

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ATTORNEY GENERAL

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Dated: June 29, 2006

cc: Service List